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**FISCAL IMPACT STATEMENT**

**LS 7022**

**BILL NUMBER:** SB 294

**NOTE PREPARED:** Jan 13, 2010

**BILL AMENDED:**

**SUBJECT:** Disproportionate Share Hospital Providers.

**FIRST AUTHOR:** Sen. Merritt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**      **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires Medicaid Disproportionate Share Hospital (DSH) payments to be distributed in a uniform and equitable manner. The bill makes changes to the distribution formulas for disproportionate share payments.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** The bill would require the Office of Medicaid Policy and Planning (OMPP) to amend the State Medicaid Plan to revise the distribution of funds within the DSH payment program, the Upper Payment Limit (UPL) program, and the Medicaid Safety Net program. Plan amendments should be considered routine administrative functions that may be accomplished within the current level of resources available to the agency.

The bill removes a provision that makes a hospital ineligible for a payment unless an intergovernmental transfer or certification of expenditures is made to the Medicaid Indigent Care Trust Fund by or on behalf of the hospital. This could affect the amount of money available for distribution among the pool of eligible hospitals. The bill does not affect language that requires intergovernmental transfers to be used to fund the payments.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Disproportionate Share Hospital Program-* The bill requires OMPP to

make DSH payments to eligible DSH hospitals in a uniform manner that is equitable to all hospitals. It appears that this would require OMPP to uniformly distribute DSH funds to all eligible hospitals. While this provision would not make a difference in the total dollar amount distributed (DSH funds are capped), the hospitals that would receive funding from the DSH pool would all have the required reporting requirements associated with DSH funds.

In 2009, the state distributed DSH funds to state-operated facilities and private psychiatric facilities under the IMD cap (Institutions for Mental Disease cap), \$50 M was applied to the Healthy Indiana Plan fiscal neutrality requirement, and the remainder was distributed to the Health & Hospital Corporation, which supplies the nonfederal match for the DSH funding. The remaining DSH-eligible hospitals received Medicaid supplemental payments under the UPL and other supplemental programs.

*Upper Payment Limit Program-* Regarding the distribution of funds from the UPL program, the bill also removes language that describes hospitals that have received DSH funding from the inception of the DSH program, referred to as historical DSH hospitals, and language that refers to prior-period payments. The bill removes language that requires the payments made to take into account the situation of the historical DSH hospitals and then requires that payments for all eligible hospitals are uniform and equitable. This provision would not change the total amount of money to be distributed - it would change the allocation of funding between the eligible hospitals.

**State Agencies Affected:** FSSA, OMPP.

**Local Agencies Affected:**

**Information Sources:** State Medicaid Plan; Minutes of the Interim Study Committee on Medicaid Supplemental Programs.

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